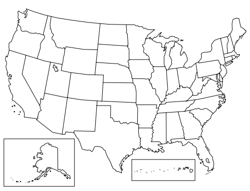
# MICHIGAN ECONOMIC INDICATORS

**A newsletter on key economic indicators prepared by the Senate Fiscal Agency.**

## ECONOMIC HIGHLIGHTS



- **Housing starts** declined at a significant rate for a third consecutive month in August, reflecting higher interest rates and weakening housing markets. Housing starts in August were 6.0% below the July level, 19.8% below the level one year ago, and at their lowest level since April 2003. Declines from year-ago levels were most severe in the Midwest (down 28.8%), followed by the West (down 28.2%), Northeast (down 24.0%), and South (down 9.9%).

- **Light vehicle sales** fell to 16.0 million units in August, the lowest annual rate since October 2005. August sales were 6.6% below the July level and 4.8% below the level in August 2005. All major categories of light vehicles, regardless of whether they were imported or domestic, or automobile or light truck, declined from the July level. Only sales of imported automobiles were up from the year-ago level. Bucking the trend in the light vehicle market, **sales of heavy vehicles** in August were up 5.9% from the July level and 10.2% above August 2005.

- **Retail sales** rose 0.2% from the July level, due to weak growth in most sectors, but were still 6.6% above the year-ago level. Reflecting lower gasoline prices, retail sales at gasoline stations were down 1.0% from the July level, but were still 11.0% above August 2005.

- Despite a declining value of the dollar, the U.S. **international financial position** continued to deteriorate in the second quarter of 2006. Imports of goods and services exceeded exports by $193.8 billion, just $1.0 billion shy of the record set in the fourth quarter of 2005. The balance on income payments exhibited the most rapid deterioration, where the deficit increased 64.9% in the second quarter of 2006. Income payments on assets to foreigners exceeded receipts from other countries by a record $4.1 billion and were in deficit for a record third consecutive quarter.

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- Michigan **personal income** grew at a seasonally adjusted rate of 1.7% in the second quarter of 2006, ranking Michigan's growth rate 20th among the 50 states and on par with the national average. All major components of personal income grew at or above the national rate, and only earnings in the farm and educational services sectors reduced the overall growth rate. Almost one-third of the growth rate in earnings was due to improvements in manufacturing earnings.

- **Michigan wage and salary employment** rose by 18,000 jobs in August from the July level, but was still 17,000 below the level in August 2005. The only sector showing a monthly decline was government, while year-over-year declines were led by manufacturing (down 32,000 jobs), trade/transportation/utilities (down 12,000 jobs), and government (down 2,000 jobs).

- In August, **tax revenue from major State taxes** was 12.8% below receipts in August 2005. Although part of the decline was due to factors related to the timing of payment receipts, revenue was still below expectations. The sharpest declines in revenue occurred in receipts from income tax withholding, the single business tax, the sales tax, and the State education tax.

SENATE FISCAL AGENCY
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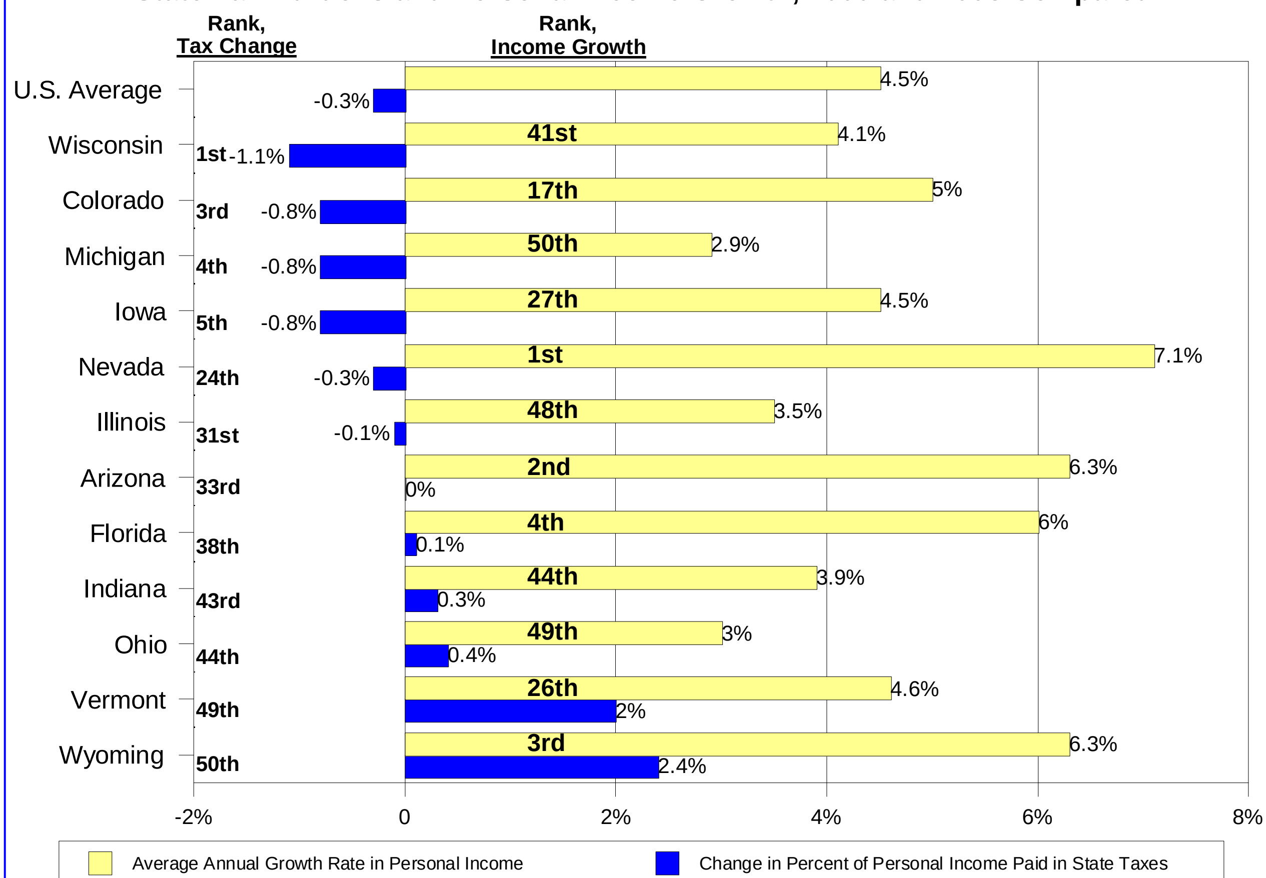
## U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

| | | | | Change from July | | Change from Year Ago | |
|---|---|---|---|---|---|---|---|
| **U.S.** | **Aug. 2006** | **July 2006** | **Aug. 2005** | **Number** | **Percent** | **Number** | **Percent** |
| Labor Force | 151,698 | 151,534 | 149,792 | 164 | 0.1% | 1,906 | 1.3% |
| Employment | 144,579 | 144,329 | 142,425 | 250 | 0.2 | 2,154 | 1.5 |
| Unemployment | 7,119 | 7,205 | 7,367 | (86) | (1.2) | (248) | (3.4) |
| Unemployment Rate | 4.7% | 4.8% | 4.9% | --- | --- | --- | --- |

| | | | | Change from July | | Change from Year Ago | |
|---|---|---|---|---|---|---|---|
| **Michigan** | **Aug. 2006** | **July 2006** | **Aug. 2005** | **Number** | **Percent** | **Number** | **Percent** |
| Labor Force | 5,086 | 5,095 | 5,093 | (10) | (0.2)% | (7) | (0.1)% |
| Employment | 4,726 | 4,739 | 4,753 | (13) | (0.3) | (27) | (0.6) |
| Unemployment | 360 | 356 | 341 | 4 | 1.0 | 19 | 5.6 |
| Unemployment Rate | 7.1% | 7.0% | 6.7% | --- | --- | --- | --- |

**Source:** Bureau of Labor Statistics, U.S. Department of Labor

## State Tax Burdens and Personal Income Growth, 2000 and 2005 Compared




Source: Bureau of Economic Analysis and U.S. Bureau of the Census, U.S. Department of Commerce.

## MICHIGAN WAGE AND SALARY EMPLOYMENT
(Seasonally adjusted, thousands)

| | Aug. 2006* | July 2006 | Aug. 2005 | Change from July Number | Change from July Percent | Change from Yr Ago Number | Change from Yr Ago Percent |
|---|---|---|---|---|---|---|---|
| **Total Nonagricultural Jobs** | 4,362 | 4,344 | 4,379 | 18 | 0.4% | (17) | (0.4)% |
| **Goods Producing Industries** | 845 | 832 | 876 | 13 | 1.5 | (31) | (3.5) |
| Natural Resources & Mining | 9 | 8 | 9 | 0 | 2.4 | 0 | 1.2 |
| Construction | 193 | 192 | 192 | 1 | 0.5 | 1 | 0.5 |
| Manufacturing | 643 | 632 | 675 | 11 | 1.8 | (32) | (4.7) |
| Transportation Equipment | 215 | 209 | 236 | 6 | 2.9 | (21) | (8.9) |
| **Service Producing Industries** | 3,517 | 3,512 | 3,503 | 5 | 0.2 | 14 | 0.4 |
| Trade, Transportation & Utilities | 793 | 793 | 805 | 0 | 0.0 | (12) | (1.4) |
| Information | 67 | 67 | 68 | 0 | 0.3 | (1) | (1.3) |
| Financial Activities | 220 | 220 | 218 | (0) | (0.1) | 2 | 0.9 |
| Professional & Business Services | 602 | 599 | 587 | 3 | 0.5 | 14 | 2.5 |
| Education & Health Services | 575 | 574 | 568 | 2 | 0.3 | 8 | 1.3 |
| Leisure & Hospitality Services | 408 | 404 | 404 | 4 | 1.0 | 4 | 1.0 |
| Other Services | 179 | 178 | 179 | 0 | 0.2 | 0 | 0.1 |
| Government | 674 | 678 | 675 | (4) | (0.6) | (2) | (0.3) |

**Source:** Bureau of Labor Statistics, U.S. Department of Labor * Preliminary

## MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS

| Industry | Average Weekly Hours Aug. 2006 | Average Weekly Hours Year Ago | Average Weekly Hours Percent Change | Average Weekly Earnings Aug. 2006 | Average Weekly Earnings Year Ago | Average Weekly Earnings Percent Change |
|---|---|---|---|---|---|---|
| Construction | 40.4 | 39.4 | 2.5% | $ 864.96 | $ 869.95 | (0.6)% |
| Manufacturing | 43.3 | 42.0 | 3.1 | 950.00 | 897.12 | 5.9 |
| Durable Goods | 44.4 | 42.9 | 3.5 | 1,058.50 | 984.98 | 7.5 |
| Motor Vehicle Manufacturing | 45.4 | 43.0 | 5.6 | 1,413.30 | 1,348.91 | 4.8 |
| Motor Vehicle Parts Manufacturing | 43.3 | 43.2 | 0.2 | 1,205.91 | 1,176.77 | 2.5 |
| Nondurable Goods | 39.8 | 38.8 | 2.6 | 604.96 | 582.78 | 3.8 |
| Wholesale Trade | 39.3 | 37.8 | 4.0 | 750.63 | 714.80 | 5.0 |
| Retail Trade | 29.5 | 29.9 | (1.3) | 354.30 | 354.02 | 0.1 |
| Grocery Stores | 27.4 | 27.2 | 0.7 | 238.65 | 233.65 | 2.1 |
| General Merchandise Stores | 29.2 | 30.3 | (3.6) | 303.10 | 313.91 | (3.4) |
| Information | 35.7 | 35.9 | (0.6) | 702.93 | 665.23 | 5.7 |
| Financial Activities | 34.9 | 33.5 | 4.2 | 598.54 | 590.27 | 1.4 |
| Professional & Business Services | 34.9 | 34.5 | 1.2 | 648.44 | 586.50 | 10.6 |
| Health Care & Social Assistance | 35.3 | 34.0 | 3.8 | 581.04 | 548.76 | 5.9 |
| Leisure & Hospitality | 24.4 | 24.2 | 0.8 | 201.30 | 197.47 | 1.9 |
| Automobile Repair & Maintenance | 36.8 | 36.7 | 0.3 | 538.38 | 536.55 | 0.3 |
| Personal & Laundry Services | 23.3 | 26.2 | (11.1) | 274.47 | 302.87 | (9.4) |

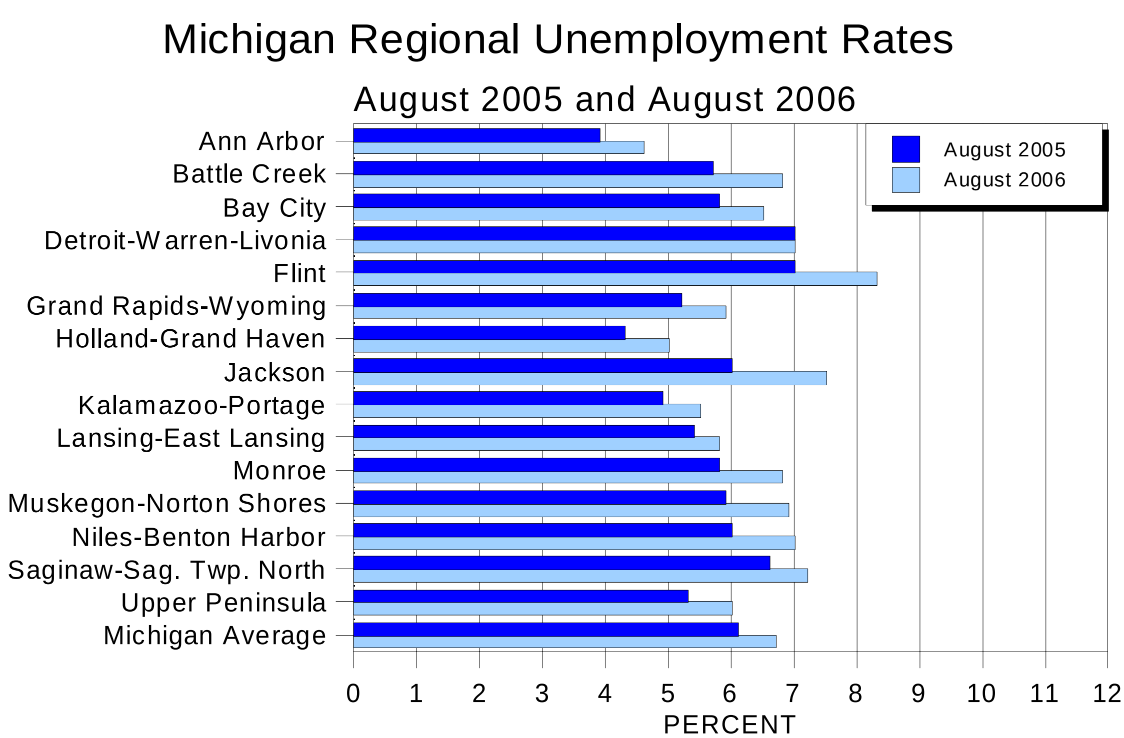
**Source:** Bureau of Labor Statistics, U.S. Department of Labor

SENATE FISCAL AGENCY

## MICHIGAN UNEMPLOYMENT RATES
## BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
## (Not Adjusted for Seasonal Variations)

| | Aug. 2006* | July 2006 | June 2006 | Aug. 2005 |
|---|---|---|---|---|
| **Metropolitan Statistical Areas** | | | | |
| Ann Arbor | 4.6% | 5.0% | 4.4% | 3.9% |
| Battle Creek | 6.8 | 7.9 | 6.4 | 5.7 |
| Bay City | 6.5 | 7.6 | 6.5 | 5.8 |
| Detroit-Warren-Livonia | 7.0 | 8.1 | 6.9 | 7.0 |
| Flint | 8.3 | 10.0 | 7.7 | 7.0 |
| Grand Rapids-Wyoming | 5.9 | 6.8 | 5.7 | 5.2 |
| Holland-Grand Haven | 5.0 | 5.7 | 5.0 | 4.3 |
| Jackson | 7.5 | 8.0 | 6.7 | 6.0 |
| Kalamazoo-Portage | 5.5 | 6.4 | 5.5 | 4.9 |
| Lansing-East Lansing | 5.8 | 6.9 | 5.7 | 5.4 |
| Monroe | 6.8 | 8.5 | 5.9 | 5.8 |
| Muskegon-Norton Shores | 6.9 | 7.8 | 6.5 | 5.9 |
| Niles-Benton Harbor | 7.0 | 7.9 | 6.8 | 6.0 |
| Saginaw-Saginaw Twp North | 7.2 | 8.7 | 7.2 | 6.6 |
| **Multi-County Areas** | | | | |
| Northeast Lower Michigan | 7.2 | 8.2 | 7.0 | 5.9 |
| Northwest Lower Michigan | 5.8 | 6.4 | 5.7 | 5.0 |
| Upper Peninsula | 6.0 | 6.3 | 6.0 | 5.3 |
| **Michigan Statewide Average** | | | | |
| -- Unadjusted (comparable to figures shown above) | 6.7 | 7.7 | 6.5 | 6.1 |

**Source:** Michigan Department of Labor and Economic Growth *Preliminary

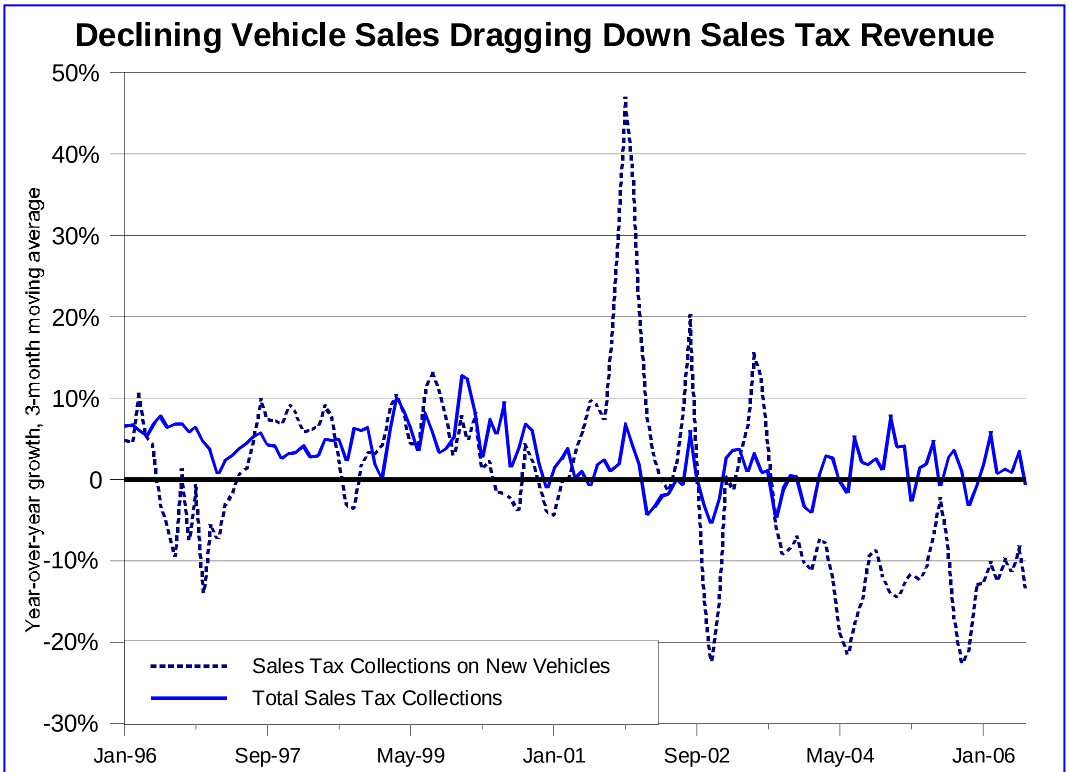


Source: Michigan Department of Labor and Economic Growth

## MOTOR VEHICLE SALES AND PRODUCTION STATISTICS
## (Thousands of Units)

| | Aug. 2006 | July 2006 | June 2006 | May 2006 | Year Ago Aug. | Percent Change From: Aug./July | Aug. 2006/ Aug. 2005 |
|---|---|---|---|---|---|---|---|
| **Motor Vehicle Sales[1,2)]** | | | | | | | |
| **(thousands of units, SAAR)** | | | | | | | |
| Autos | 7,700 | 8,222 | 7,720 | 7,809 | 7,756 | (6.3)% | (0.7)% |
| Domestics | 5,304 | 5,562 | 5,304 | 5,362 | 5,564 | (4.6) | (4.7) |
| Imports | 2,396 | 2,660 | 2,416 | 2,447 | 2,192 | (9.9) | 9.3 |
| Import Share | 31.1% | 32.4% | 31.3% | 31.3% | 28.3% | --- | --- |
| Light Trucks | 8,315 | 8,920 | 8,401 | 8,288 | 9,062 | (6.8) | (8.2) |
| Domestics | 7,130 | 7,598 | 7,158 | 6,997 | 7,850 | (6.2) | (9.2) |
| Imports | 1,185 | 1,322 | 1,243 | 1,291 | 1,212 | (10.4) | (2.2) |
| Import Share | 14.3% | 14.8% | 14.8% | 15.6% | 13.4% | --- | --- |
| Subtotal: Light Vehicle Sales | 16,015 | 17,142 | 16,121 | 16,097 | 16,818 | (6.6) | (4.8) |
| Heavy Trucks | 542 | 512 | 537 | 533 | 492 | 5.9 | 10.2 |
| Total Vehicle Sales | 16,557 | 17,654 | 16,658 | 16,630 | 17,310 | (6.2) | (4.4) |
| **U.S. Motor Vehicle Production[1,2)]** | | | | | | | |
| **(millions of units, SAAR)** | | | | | | | |
| Autos | 4,296 | 4,066 | 4,102 | 4,337 | 4,289 | (100.0) | (100.0) |
| **Michigan Motor Vehicle Production[2,3)]** | | | | | | | |
| **(thousands of units, SAAR)** | | | | | | | |
| Autos | 1,132 | 887 | 985 | 1,192 | 1,253 | 27.6 | (9.7) |
| Trucks | 1,323 | 903 | 1,463 | 1,331 | 1,159 | 46.6 | 14.2 |
| Total | 2,455 | 1,790 | 2,448 | 2,522 | 2,412 | 37.2 | 1.8 |
| Michigan Production as % of U.S. | 19.8% | 14.2% | 19.7% | 20.4% | 18.8% | --- | --- |
| **U.S. Motor Vehicle Inventories[4)]** | | | | | | | |
| Total Car | 1,223 | 1,234 | 1,410 | 1,444 | 1,162 | (0.9) | 5.3 |
| Days Supply | 44 | 41 | 49 | 48 | 42 | 7.3 | 4.8 |
| Total Truck | 2,018 | 2,076 | 2,431 | 2,339 | 1,794 | (2.8) | 12.5 |
| Days Supply | 74 | 70 | 84 | 80 | 61 | 5.7 | 21.3 |

**Sources:** 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



Source: Michigan Senate Fiscal Agency

## OTHER KEY ECONOMIC INDICATORS

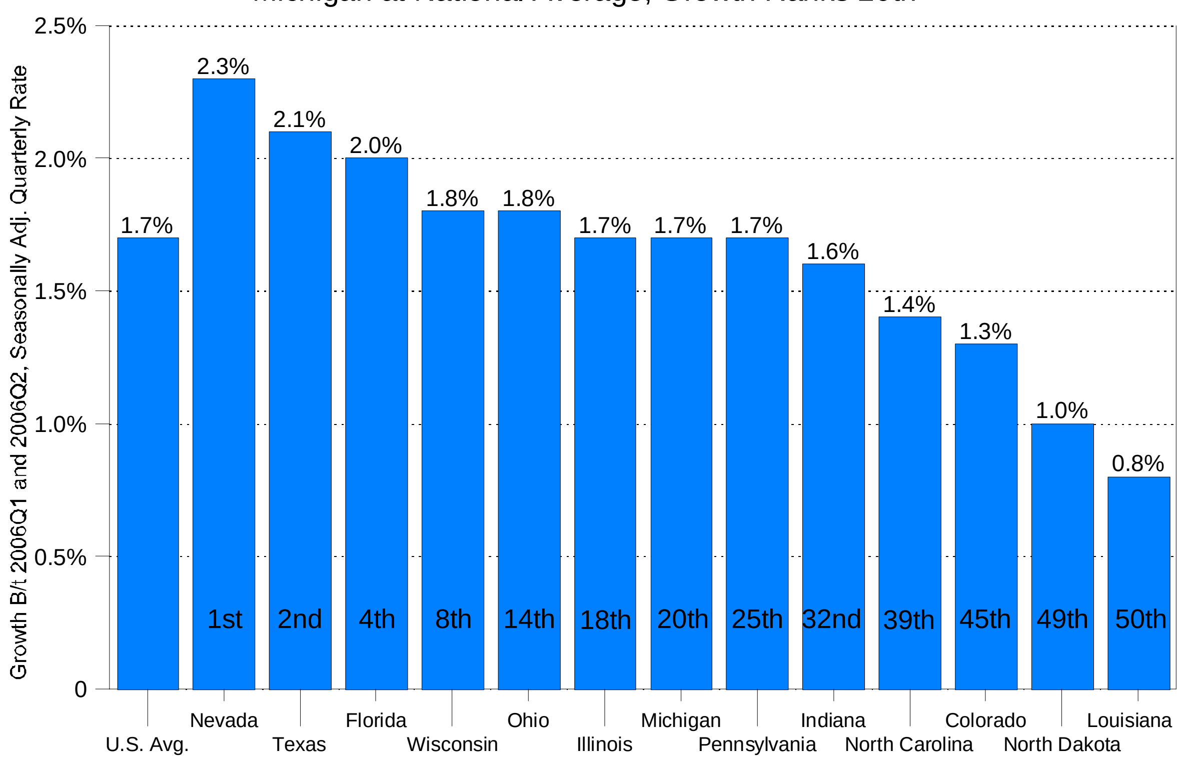
| Variable | Latest Period | Actual Data<br>Latest Period | Actual Data<br>Previous Period | Actual Data<br>Year Ago | Percent Chng From<br>Previous Period* | Percent Chng From<br>Year Ago |
|---|---|---|---|---|---|---|
| **Weekly Leading Index**, monthly[1] (1992=100) | Aug. | 134.5 | 135.3 | 135.3 | (0.6)% | (0.6)% |
| **Coincident Index**[1] (1992=100) | Aug. | 151.3 | 151.1 | 145.6 | 0.1 | 3.9 |
| **Housing Starts, U.S.**[2] (thousands of units, SAAR) | Aug. | 1,665 | 1,772 | 2,075 | (6.0) | (19.8) |
| **Retail Sales, U.S**.[2] (billions, seasonally adjusted) | Aug. | $332.7 | $332.0 | $312.0 | 0.2 | 6.6 |
| **Industrial Production Index** 3) (1997=100, seasonally adjusted) | Aug. | 113.7 | 113.9 | 108.6 | (0.1) | 4.7 |
| **Capacity Utilization**[3] (% of total capacity, seasonally adjusted) | Aug. | 82.4 | 82.7 | 80.3 | (0.3) | 2.7 |
| **Consumer Price Index**[4] (1982-84=100) | | | | | | |
| U.S. (seasonally adjusted) | Aug. | 203.7 | 203.2 | 196.2 | 3.0 | 3.8 |
| Detroit (not seasonally adjusted) | Aug. | 198.6 | 196.8 | 192.2 | 5.6 | 3.3 |
| **Interest Rates** | | | | | | |
| 3-month Treasury Bill[3] | Aug. | 4.98% | 4.96% | 3.45% | --- | --- |
| Corporate Aaa Bonds[3] | Aug. | 5.68% | 5.85% | 5.09% | --- | --- |
| **Real Gross Domestic Product**[5] (billions of 2000 $, SAAR, Chain-Weighted) | 2006 2nd Qtr. | $11,397.6 | $11,316.4 | $11,001.8 | 2.9 | 3.6 |
| **Michigan Tax Collections**[6] (12 major taxes, millions) | Aug. 2006 | $1,556.0 | $1,719.5 | $1,784.5 | NM | (12.8) |

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.
*Note: Percent changes from previous period for CPI and GDP at annual rate.

**Sources:** 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

## Growth in Personal Income During the Second Quarter of 2006

Michigan at National Average, Growth Ranks 20th




Source: Bureau of Economic Analysis, U.S. Department of Commerce.